

News Release



Controller of the State of California - Kathleen Connell

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For Immediate Release

STATE CONTROLLER KATHLEEN CONNELL RELEASES CURRENT LOTTERY AUDIT RESULTS

Sacramento, CA, August 15, 2001 – State Controller Kathleen Connell today released the results of an audit of the California State Lottery's (CSL) internal controls over the prize validation process (process) at the CSL headquarters and at the district offices in Sacramento and Hayward.

"The State Controller's Office is responsible for auditing all California State Lottery accounts and transactions and for performing other audits of the Lottery deemed necessary," said Connell. "The purpose of this audit was to determine if the Lottery has adequate controls over the scratcher and on-line prize validation systems and to ensure prize payments made by the Lottery are legal and proper."

The audit found the system contained two deficiencies that warrant corrective action. The first finding revealed that an anti-counterfeiting measure for the validation of high-tier winning tickets including SuperLOTTO 6 of 6 prizes was not fully implemented. Information that was supposed to remain with the CSL's Security Division, was being distributed to employees in another Lottery Division. Once this finding was brought to the attention of the Lottery, a memorandum was immediately issued instructing Security Division lottery agents to discontinue this practice.

The Controller noted the Lottery took swift action to address this issue. "While the information, by itself, would not result in counterfeit tickets, they recognized that adequate internal controls require that all activities that could contribute to the jeopardy of the Lottery's integrity need to be addressed."

The second finding revealed that the receiving, processing and validating off-line and on-line claims submitted to the Sacramento and East Bay district offices are usually performed by one person and not independently reviewed by a second person. A similar finding was reported in to the CSL by the Controller's Office in 1996. At that time, the CSL agreed to take action to correct this problem, but the current audit found that no action had been taken.

"Separation of duties and second reviews are normal internal control procedures that should be implemented to ensure that improper payments cannot be made," said Connell. "I encourage the Lottery to take action to correct this issue now."

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Copies of the audit report may be obtained by contacting Stacey Ragland at (916) 445-2636